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S E C R E T SECTION 01 OF 03 SHANGHAI 000280

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E.O. 12958: DECL: X1 MR
TAGS: [PGOV](#) [PINR](#) [EINV](#) [ECON](#) [CH](#)
SUBJECT: EAST CHINA CONTACTS ON RECENT LEADERSHIP DEVELOPMENTS

REF: A) SHANGHAI 213; B) SHANGHAI 163; C) BEIJING 2965; D) BEIJING 2861; E) BEIJING 2857; F) BEIJING 2711

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REASON: 1.4 (b), (c), (d)

1. (C) Summary. Several East China contacts commented on recent leadership developments at both the national and local level. Despite media rumors that Executive Vice Premier Huang Ju had died, one well-connected contact assured us that Huang was still alive although his health was failing. Local contacts viewed the recent appointments of the new Foreign Minister and Minister of Science and Technology as fairly routine affairs, given that their predecessors had reached the mandatory retirement age of 65, but also as demonstration of President Hu Jintao's intent to consolidate power gradually and send a message about his priorities. Our contacts also relayed rumors that the Politburo Standing Committee would shrink from nine members to seven, although one had heard that it would, in fact, expand to eleven members. Closer to home, a contact with second-hand access said that Hu had been instrumental in Xi Jinping's promotion to Shanghai Party Secretary. Meanwhile, rumors abounded that Shanghai Mayor Han Zheng would soon be removed. End summary.

Huang Ju: The Reports of My Death Have Been Greatly Exaggerated

2. (S) On May 10, Director of Ford Service Parts Purchasing Randy Creel told Pol/Econ Section Chief that he contacted his former assistant at Ford, who also happened to be Huang Ju's niece, to ask if the news reports about Huang's demise were true. She informed him that Huang was still alive, although his situation was serious. Huang was in the hospital and her parents had gone to Beijing to be with him during this difficult time. During a May 10 discussion with Poloff, Tongji University Professor Frank Peng also denied rumors that Huang had passed away.

Yang Jiechi and his friends in High Places

3. (C) Peng also commented that the appointment of new Foreign Minister Yang Jiechi--otherwise known as "Tiger Yang" for his aggressive negotiating style--was designed to be a signal of the high importance the Chinese government placed on U.S.-Sino relations. Yang had served for many years as the Ambassador to the United States before moving to Beijing as Vice Foreign Minister. His promotion to minister had been supported by State Councilor Tang Jiaxuan who held Yang in high regard. Peng did not think the timing of Yang's promotion was odd, noting that the previous Minister, Li Zhaoxing, had recently reached the mandatory retirement age of 65. Peng based his assessment on Yang's promotion on conversations he had with Yang's brother, Shanghai Institute for International Studies Vice President and Senior Fellow Yang Jiemian.

14. (C) Peng also relayed his assessment of recently appointed Minister of Science and Technology (MOST) Wan Gang. Peng has known Wan for several years through their association at Tongji University where Wan until transferred served as President. Peng believed Hu had selected Wan--the only non-party member minister-to portend his intent to undertake substantive political reforms. As such, Peng assessed that Wan would have greater support from Hu Jintao and the Politburo than other MOST Ministers had enjoyed. Peng believed that Wan's outsider status might actually strengthen his position vis a vis other ministries such as the National Development Reform Commission. As a symbol of political change, Hu could not afford for Wan to fail. Peng noted that the Politburo had recently been stressing the primary importance of science and technology development to China's overall development strategy--another indication that the new MOST Minister would have more influence than his predecessors.

15. (C) Wan had told Peng that during the Spring Festival in
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2006, because of his expertise in the automotive sector, he had been called on to personally brief the entire Politburo Standing Committee (PBSC) on science and technology development. Wan believed that this briefing had caught the attention of Hu Jintao and others on the PBSC and that was why he had been selected for his current position. Wan was not closely tied to any particular leader or faction, although he had been personally nominated by President Hu. Peng noted that as with the Foreign Minister, the timing of Wan's promotion was not out of the ordinary, given that his predecessor had also recently reached the mandatory retirement age. Another local observer of political developments, Weyerhauser China General Manager Zhang Renren had a somewhat different take in May 9 conversations with the Consul General and Pol/Econ Chief. He thought the ministerial changes reflected Hu Jintao's desire to consolidate power gradually as opportunities were presented and to portend his priorities -- the importance of the U.S.-China relationship; science and innovation; and a bit more movement on political reforms.

Assimilating Seven of Nine

16. (S) During an April 26 conversation with Pol/Econ Chief, The Carlyle Group Chief China Representative Luo Yi also reported the latest scuttlebutt on top-level personnel changes that he had heard from a close friend of Hu Jintao's son, Hu Haifeng. According to Luo, his source said that the current plan was to reduce the PBSC from nine back to its pre-16th Party Congress level of seven. Five of the current PBSC members would be leaving, including: Chinese People's Political Consultative Conference (CPPCC) Chairman Jia Qinglin, Executive Vice Premier Huang Ju, Central Discipline Inspection Commission Chairman Wu Guanzheng, Luo Gan, and either Vice President Zeng Qinghong or propaganda czar Li Changchun.

17. (S) Luo argued that if Hu was able to force Zeng out, it would allow Hu to solidify his powerbase, giving him four of the seven votes on the PBSC. Luo said that if Zeng were forced out, it be under the "Seven Up, Eight Down Rule" that had been implemented to oust former CPPCC Chairman and PBSC member Li Ruihuan. (Comment: The "rule" was that if a person was 67 at the time of the Congress they could remain on the PBSC, while if they were 68, they needed to step aside to make way for younger leaders. The "rule" had been created by former President Jiang Zemin to oust his rival, Li Ruihuan. Prior to the 16th Party Congress, the "standard" retirement age had been 70. End comment.)

18. (S) Luo had heard from his contact that people slated for promotion to the PBSC were United Front Work Department Head Liu Yandong, Liaoning Party Secretary Li Keqiang, and National People's Congress Executive Vice Chairman Wang Zhaoguo. Li was to be designated as Hu's successor. At age 51, Li Keqiang held an age advantage over Jiangsu Party Secretary Li Yuanchao (age 57), who had also been under consideration to take over as Hu's successor. Wang, who served in the Communist Youth League for many years and was formerly Hu Jintao's and Premier Wen Jiabao's boss in the 1980s, had fallen from grace in the aftermath of the 1989 Tiananmen Massacre because of his close ties to former Party Secretaries Hu Yaobang and Zhao Ziyang.

19. (C) Peng had also heard rumors that the PBSC would be reduced from nine to seven. He believed that Jia, Huang, and

Luo were definitely retiring. He said Zeng's prospects, however, were still up in the air. Peng opined that Zeng would not be happy with taking up Jia's slot in the CPPCC, noting that it was not a position of any real power. (Note: Peng himself serves on the Shanghai Municipal CPPCC. End note.) Wang Zhaoguo had been a contender for a PBSC slot; however, Peng believed that recently surfacing rumors of Wang's philandering might damage his chances of promotion. Peng corroborated Luo's statement that Wang had been both Hu's and Wen's boss during the late 1980s. Peng did not believe Liu Yandong would make it to the PBSC, but would likely have a seat on the Politburo. Peng's odds-on favorites for PBSC promotion were Li Keqiang and Li Yuanchao.

¶10. (C) Zhang, however, had heard rumors that the PBSC was not shrinking, but rather expanding and would increase to 11 people. Zeng, Zhang said, was definitely going to stay on, according to the rumors he had heard. He could not recall who else was

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slated to be in the expanded PBSC.

Xi Jinping Tight with Hu

¶11. (S) During an April 17 meeting, Shanghai People's Congress researcher Zhou Meiyuan said that President Hu Jintao had called the shots on the transfer of Xi Jinping from Zhejiang to be the Shanghai Party Secretary. Zhou had heard this from Beijing-based democracy advocate and long-time Embassy contact Li Fan. Zhou explained that Li was a princeling whose father was Li Qinghua, the former Ambassador to East Germany and India and later the head of CCTV. Zhou said that Li Fan was friends with Xi and had gained the information from his first-hand dealings with Xi. Zhou said that according to Li, Xi Jinping's father, Xi Zhongxun, had been instrumental in elevating Hu Jintao to the PBSC and that Hu was now returning the favor to the Xi family. Zhou believed it was certain that Xi was slated for a Politburo slot and would likely advance to the PBSC in ¶2012.

¶12. (S) Zhou said that Li also informed her of a name list maintained by the Central Organization Department for the families of top Chinese leaders. Each family was allowed to have one of its children placed on the list for eventual promotion to leading roles within the party. According to Li, Xi's brother-in-law (the husband of Xi's elder sister) was also a princeling and had been on the list as well. However, with Xi's promotion, his brother-in-law was now barred from further promotion. (Note: Zhou was unable to remember the name of Xi's brother-in-law. End note.)

A New Life for Han Zheng?

¶13. (C) Zhou said that the scuttlebutt among Shanghai officials was that Han Zheng was slated to be transferred out of Shanghai. Although it was unclear when, Zhou speculated that it would happen prior to the 17th Party Congress this fall. Zhou had not heard who might replace him, although other Shanghai contacts previously reported that it might be Anhui Party Secretary Guo Jinlong (Ref B).

¶14. (C) Carlyle's Luo Yi also said Han was definitely leaving. He speculated that Xi would not have agreed to take the job without an agreement to force Han out. Luo did not think Han would be removed on corruption charges, but rather thought that Han might just be moved to a "dark hole" somewhere in the central government--perhaps as Party historian, Luo joked--retaining his current rank. Luo thought that Han would definitely be replaced by an outsider since Xi would not trust anyone within the current Shanghai government. Weyerhauser's Zhang said that although he had not heard any recent rumors of Han's imminent demise, he expected him to be gone by this autumn. Many of the Shanghai bureau-level directors he knew had told him that Han had seemed less happy and less engaged in recent weeks.

¶15. (C) During a May 7 meeting with the Consul General, South Korean Consul General Yang Kim said there was an ongoing corruption investigation--separate from the pension fund scandal--that might implicate Han and hurt his future prospects. Kim's grandfather, something of a national hero, was a Korean nationalist living in Shanghai who had advocated for Korea's independence from the Japanese during the 1940s. South Koreans visiting Shanghai frequently paid their respects at his grandfather's former residence and often gave donations for the upkeep of the home. Based on the number of visitors, and a guesstimate of USD 100 per person for a typical donation, Kim

speculated that those donations totaled more than USD 8 million annually and went into a black hole in the Shanghai government budget. On a smaller scale, visitors to Shanghai's Lu Xun Park were also required to pay a 15 RMB fee if they wished to visit a small section of the park that featured a monument to a famous historical South Korean figure. Kim estimated there were about 200,000 such South Korean visitors annually. Visitors were given a book mark but no receipt for their funds. The South Korean Consulate had offered on several occasions to take over the management of both sites, but the Shanghai government had declined.

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